

Message Text

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PAGE 01 TEL AV 03828 161338 Z

53

ACTION NEA-12

INFO OCT-01 ADP-00 PA-03 PRS-01 USIA-12 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02

AGR-20 RSR-01 /125 W

----- 078150

R 161139 Z MAY 73

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 8437

C O N F I D E N T I A L TEL AVIV 3828

E O 11652: GDS

TAGS: EFIN, IS

SUBJECT: INFLATION ROLLS ON INEXORABLY

REF: TEL AVIV 3440

1. CONSUMER PRICE INDEX FOR APRIL REACHED 156.3, UP 3.9 PERCENT FROM MARCH. THIS IS LARGEST PERCENTAGE INCREASE IN ONE MONTH IN TWENTY YEARS, AND WAS HEAVILY INFLUENCED BY RISE IN PRICES OF CONTROLLED FOODSTUFFS REPORTED IN TEL AVIV A-125, MAY 5, 1973.

2. RISE IN CONSUMER PRICE INDEX IN FIRST FOUR MONTHS OF 1973 NOW AMOUNTS TO 9.5 PERCENT. THIS INCREASE IS SUFFICIENTLY LARGE TO INDICATE THAT GOI GAME PLAN TO CONTAIN INFLATION FOR THIS YEAR IS IN SHREDS. WE WOULD EXPECT MEDIA TO BEGIN TO FOCUS ON PROBLEM. AT MINIMUM WE CAN EXPECT LIVELY DISPLAY OF HAND- WRINGING.

3. MANUFACTURERS, GOVT, AND HISTADRUT HAVE BEEN DISCUSSING A PRICE FREEZE TO CURB INFLATION, SO FAR WITHOUT RESULT. IF GOI IS CAPABLE OF TAKING STEPS IN AN ELECTION YEAR, NOW IS CLEARLY TIME TO DO SO. ON PAST FORM, SCEPTICISM IS WARRANTED. HISTADRUT SECRETARY GENERAL BEN- AHARON HAS PREDICTABLY
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PAGE 02 TEL AV 03828 161338 Z

CHARACTERIZED PRICE INCREASES IN APRIL AS " VERY BLEAK" ,
AND ASSERTED THAT EVEN MIDYEAR COST- OF- LIVING INCREASE
COULD NOT FULLY COMPENSATE WORKERS. IF NO SOLUTION IS FOUND,
HE WOULD " NOT RULE OUT" FURTHER WAGE DEMANDS. MINISTER
OF COMMERCE AND INDUSTRY BAR- LEV SAID THAT PRICE FREEZE
COULD ONLY WORK IF ACCEPTED BY ALL SECTORS OF ECONOMY.
ZURHELLEN

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NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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